

**Joint Legislative Budget Committee
Staff Memorandum**

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DATE: November 1, 2007

TO: Members, Joint Legislative Budget Committee

THRU: Richard Stavneak, Director

FROM: Eric Jorgensen, Senior Fiscal Analyst

SUBJECT: STATE FUNDS REPORT

A.R.S. § 41-1273 requires the JLBC Staff to make recommendations to the Joint Legislative Budget Committee by November 1 of each odd-numbered year on:

- the elimination of not more than 7% of the total number of state funds, and
- the conversion to appropriated status of not more than 7% of the dollar value of all state non-appropriated funds.

Eliminating or Consolidating Funds

In reviewing the state's current fund structure, we have determined that there are approximately 775 separate funds. This figure is based on the number of funds in the Arizona Department of Administration (ADOA) accounting system. As a result, we are required to recommend the elimination or consolidation of no more than 54 funds (7%).

ADOA's list of funds included 16 funds described as "inactive" in the state's accounting system. We asked all state agencies to comment on whether they could identify any additional funds as inactive. Based on their input, 66 funds can be eliminated. Attachment A includes a list of the 66 funds.

Converting Funds to Appropriated Status

In terms of expenditures, the total dollar value of non-appropriated funds (including federal Title XIX dollars) is \$13.9 billion in FY 2008. The list of these expenditures by agency appears in the *FY 2008 Appropriations Report*.

Unlike the elimination of obsolete funds, the Staff does not have a technical recommendation for appropriating new funds.

In considering this policy matter, the Legislature may want to start by reviewing the non-appropriated funds with the largest dollar value. For your information, we have provided a list of

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the largest non-appropriated funds with the latest estimate of FY 2008 expenditures (Attachment B). These 34 funds, with annual expenditures greater than \$20 million, constitute about 95% of the \$13.9 billion in non-appropriated expenditures. Some of these, such as the Maricopa ½ cent transportation sales tax, are “custodial” monies held by the state on behalf of another party. Other non-appropriated funds were enacted as part of ballot propositions, which may only be modified by a three-fourths vote to further the purposes of the proposition.

Please let us know if you have any questions about the report.

RS/ERJ:sls

Attachment

xc: Michael Huckins, House
Chris Kotterman, House
Brad Regens, House
Greg Ensell, Senate
Michael Hunter, Senate
Victoria Regens, Senate

***RECOMMENDATIONS TO
ELIMINATE OR CONSOLIDATE
UP TO 7% OF ALL FUNDS***

Attachment A

<u>BUDGET UNITS/FUND #</u>	<u>FUND TITLE</u>	<u>COMMENTS</u>
Administration, Department of		
ADA2482	Electronic Commerce	Fund never used.
ADA1025	Lease Purchase Building Operating and Maintenance Fund	Fund used for non-COP buildings, which are all paid off.
ADA4201	Technology and Telecommunications Fund	Monies in this fund were transferred to 2 other funds.
Agriculture, Department of		
AHA1600	Capital Outlay Stabilization	Extended period of fund inactivity.
AHA2143	The Hay Law Fund	Program eliminated.
AHA2342	Organic Food Certification	Program eliminated.
AHA2500	IGA & ISA	Monies in this fund were transferred to the Livestock and Crop Conservation Fund (AHA2378).
AHCCCS		
HCA2151	Premium Sharing	Program eliminated.
HCA2222	LTC Reinsurance Fund	Extended period of fund inactivity.
HCA2376	County Contribution Fund	Fund established for one-time appropriation.
HCA3037	MNMI Fund	Program eliminated.
HCA3734	Health Plan Performance Bond	Extended period of fund inactivity.
Commerce, Department of		
EPA1238	AZ Clean Air Fund	Program transferred to ADEQ.
EPA2234	Housing Finance Review	Program transferred to the Dept. of Housing.
EPA2235	Housing Trust Fund	Program transferred to the Dept. of Housing.
EPA2313	Housing Development Fund	Program transferred to the Dept. of Housing.
EPA2424	AZ Neighborhood Preservation	Program not funded.
EPA2454	Export Promotion Fund	Program not funded.
EPA2462	Hydrogen Grant Fund	Program not funded.
Criminal Justice Commission, AZ		
JCA2229	Administrative Narcotic Assistance Fund	Fund inactivated in ADOA system by agency request.

Economic Security, Department of		
DEA1301	DES Accumulator	Fund inactivated in ADOA system by agency request.
DEA2501	JTPA Wire Transfer	Fund inactivated in ADOA system by agency request.
Education, Department of		
EDA5005	Certificate of Participation	Fund established for one-time appropriation.
EDA2483	Extraordinary Special Education Needs	Program receives no appropriated funding.
EDA2507	Full-Day Kindergarten	Funding is now provided through the Basic State Aid formula.
Game and Fish Department		
GFA1234	Wildlife Habitat Restoration and Enhancement Fund	Monies in this fund were transferred to Fund GFA2536 with the same name.
Geological Survey, Arizona		
GSA2317	Geological Survey Fund	This fund is inactive and different from an active fund with the same name.
Health Services, Department of		
HSA1312	TT & HCF Grants To Community Health Centers	Accounting fund no longer used.
HSA1313	TT & HCF Pilot Programs Providing Detoxification	Accounting fund no longer used.
HSA1314	TT & HCF Telemedicine Pilot Program	Accounting fund no longer used.
HSA1315	TT & HCF Renal Disease & Related Problem	Accounting fund no longer used.
HSA1317	TT & HCF Evaluation Program	Accounting fund no longer used.
HSA1320	Rural Capital Projects	Extended period of fund inactivity.
HSA1322	Programs to Provide Education or Information on Health Issues	Accounting fund no longer used.
HSA1324	AIDS Reporting and Treatment	Extended period of fund inactivity.
HSA1327	Non-Renal Organ Transplant Operations	Extended period of fund inactivity.
HSA1330	Emergency Vaccines Fund	Extended period of fund inactivity.
HSA1338	TCE Contamination	Extended period of fund inactivity.
HSA1340	Disease Control Research Commission	Fund transferred to the Biomedical Research Commission.
HSA1343	SMI State Match Title XIX-Tobacco	Accounting fund no longer used.
HSA2001	Title XIX Reimbursements 92-93	Extended period of fund inactivity.
HSA2063	DHS Sanitarians	Program eliminated.
HSA2133	Building Renewal Fund	Fund used for property no longer owned by the State.
HSA2144	DHS Agreement	Monies in this fund were transferred to the IGA Fund (HSA2500).

HSA2314	Rural Area Kidney Dialysis Cont Escrow	Fund used for a one-time expense.
HSA3009	Prenatal Care Education Fund	Fund inactivated in ADOA system by agency request.
HSA3020	Spinal And Head Injuries Trust Fund	Fund used for a one-time expense.
HSA3037	Medical Services Stabilization	Fund used for a one-time expense.
HSA3173	ASH Patient Benefit	Extended period of fund inactivity.
HSA4207	State Hospital Enterprise Fund	Program eliminated.
Judiciary		
COU2447	Local Courts Assistance Fund	Extended period of fund inactivity.
COU2500	IGA and ISA Fund	Extended period of fund inactivity.
COU2539	COA Collection Enhancement Fund	Extended period of fund inactivity.
Lottery Commission, Arizona State		
LOA3004	Lottery Settlement Fund	Fund established for one-time settlement payment.
Retirement System, Arizona State		
RTA1405	Arizona State Retirement System - Appropriated Fund	This fund is inactive and different from an active fund with the same name.
School Facilities Board		
SFA2273	School Capital Equity Fund	Program eliminated.
SFA2450	School Facilities Capital Reserve Fund	Extended period of fund inactivity.
SFA2496	Lease-to-Own Fund	Extended period of fund inactivity.
Tourism, Office of		
TOA3163	Tourism Workshop Fund	Program eliminated.
Treasurer, State		
TRA3105	Arizona Arts Endowment Non-Expenditure Trust	Fund inactivated in ADOA system by agency request.
TRA3730	Administrative Forest Reserve	Fund inactivated in ADOA system by agency request.
Universities		
<i>Board of Regents, Arizona</i>		
BRA2249	Teacher Loan Forgiveness	Program transferred to Commission on Post-Secondary Education.
<i>Northern Arizona University</i>		
NAA1420	NAU Collections - Local	Extended period of fund inactivity.
<i>University of Arizona</i>		

UAA9204	U of A Local Payroll Clearing	Payroll is now processed through the ADOA central payroll account.
Water Resources, Department of		
WCA3025	Admin Refund	Fund was used to clear overpayment of fees, but is no longer in use.
WCA2287	State Water Storage Fund	Funds transferred to Arizona Water Banking Authority.

LARGEST NON-APPROPRIATED FUNDS

Attachment B

<u>Agency</u>	<u>Fund</u> ^{1/}	<u>FY08 Estimated Expenditures</u>
Various Agencies	Federal Funds (Includes Title XIX) ^{2/}	\$7,507,912,700
Universities	Non-Appropriated Funds (Tuition, Enterprise, Donations) (NA)	1,492,815,900
ADOA	State Employee Health Insurance (ITA3015)	682,011,000
State Compensation	State Compensation (TRA9002)	616,905,000
ADE	Classroom Site (EDA2471)	510,777,600
ADOT	Maricopa Regional Area Road (DTA2029)	328,344,000
AHCCCS	County Title XIX Match (HCA2120/HCA2223)	295,596,500
Lottery	State Lottery Prizes (LOA2122)	261,849,000
DES	Unemployment Insurance (TRA9005)	255,000,000
DEQ	Clean Water Revolving (EVA2254)	97,917,900
ADE	Proposition 301 - Non-Appropriated (NA) ^{3/}	94,280,500
AHCCCS	Tobacco Settlement (HCA2468) ^{3/}	92,004,100
DHS	IGA/County Contributions (HSA2500)	70,491,600
ADOT	Highway Expansion & Extension Loan Program (DTA2417)	66,663,300
SFB	School Improvement Revenue Bond Debt Service (SFA5020)	64,602,500
AHCCCS	Health Care Group Medical Premiums (HCA3197)	62,142,600
AHCCCS	Proposition 204 Protection Account (HCA1303) ^{3/}	61,455,100
ASRS	State Retirement System Admin. - Non-Appropriated (RSA1407)	60,067,900
Commerce	Job Training (EPA1237)	51,553,600
Industrial Commission	Special (ICA9003)	49,744,900
DEQ	Drinking Water Revolving (EVA2307)	45,918,000
ADE	Instructional Improvement (EDA2492) ^{3/}	45,000,000
ADOT	Local Agency Deposits (DTA3701)	42,364,800
DEQ	Underground Storage Tank (UST) (EVA2271)	41,056,000
Housing	Housing Trust (HDA2235)	37,793,200
ADOA	Certificate of Participation (ADA5005)	36,845,200
DOC	Arizona Correctional Industries Revolving (DCA4002)	33,903,900
ADOA	State Non-Health Benefits (ITA3035)	33,449,700
DHS	Tobacco Tax – Health Education Account (HSA1308) ^{3/}	32,928,600
Power Authority	Hoover Upgrading (NA)	30,219,700
AHCCCS	Proposition 202 - Trauma and Emergency Services (HCA2494) ^{3/}	30,210,500
SFB	State Land Trust Bond Debt Service (SFB5030)	25,431,400
ADOA	Emergency Telecommunication Services (ADA2176)	23,964,100
Lottery	Local Transportation Assistance (NA)	23,000,000
Total – Federal Funds		\$7,507,912,700
Total – Other Funds ^{4/}		\$5,696,308,100

^{1/} Brief explanation of each fund follows this table.

^{2/} Excludes federal Temporary Assistance for Needy Families (TANF) Block Grant and other appropriated federal funds.

^{3/} Funds subject to Proposition 105 voter protection requirements.

^{4/} Includes only Non-Appropriated Funds with annual expenditures greater than \$20 million.

NARRATIVE SUMMARY OF LARGEST NON-APPROPRIATED FUNDS

FEDERAL — Includes \$4.2 billion in Title XIX monies.

UNIVERSITY — Non-Appropriated Funds - Includes 3 University Funds: Auxiliary, Designated, and Restricted. Auxiliary Funds consist of monies collected from sales and services from substantially self-supporting activities such as residence halls, food services, bookstores, and intercollegiate athletics. Designated Funds consist of tuition and fees retained by the universities, summer session fees, administrative costs of student aid, and unrestricted gifts. Restricted Funds include grants from private donors and non-federal agencies.

ADOA — State Employee Health Insurance - Consists of employer and employee medical and dental insurance contributions.

STATE COMPENSATION - State Compensation Fund - Consists of worker's compensation insurance premiums that are used to insure employers against liability for workers' compensation.

ADE — Classroom Site - Consists of monies from a 0.6% sales tax enacted by Proposition 301 (2000 General Election) and growth in the Permanent State School Fund expendable earnings. Monies are used to provide additional funding for teacher compensation increases based on performance (40%), teacher base salary increases (20%), and class size reduction, AIMS intervention programs, teacher development, dropout prevention, and teacher liability insurance premiums (40%).

ADOT — Maricopa Regional Area Road - Consists of all transportation sales taxes collected pursuant to A.R.S. § 42-1482 and A.R.S. § 42-1482.01 for highway construction.

AHCCCS — County Title XIX Match - Statutorily prescribed county contributions for acute medical and long-term care services to AHCCCS eligible populations. These monies combined with state General Fund monies serve as the state match for federal Medicaid (Title XIX) dollars.

LOTTERY — State Lottery Prizes - Contains state lottery prize monies.

DES — Unemployment Insurance - Employer contributions and interest earnings used for payment of future unemployment benefits and refunds.

DEQ — Clean Water Revolving - Consists of monies received from legislative appropriations, bond proceeds, loan repayments, and federal capitalization grants. The monies are used to make loans and facilitate debt refinancing for capital improvements at wastewater treatment facilities.

ADE — Proposition 301 - Non-Classroom Site - Monies appropriated by Proposition 301 for additional school days, school safety, and character education and carry-forward monies from the school accountability program.

AHCCCS — Tobacco Settlement - Consists of monies received from the Tobacco Litigation Master Settlement Agreement, and pursuant to Proposition 204 are used to expand the AHCCCS program to 100% of the Federal Poverty Level and, if monies are available, for Public Health programs within DHS.

DHS — IGA/County Contributions - Consists of monies received from other state and local entities in exchange for DHS provided services.

ADOT — Highway Expansion & Extension Loan Program - Constitutes a state infrastructure bank under the Federal State Infrastructure Bank Act to provide financial assistance to political subdivisions, Indian tribes and state agencies for eligible transportation projects.

SFB — School Improvement Revenue Bond Debt Service - Consists of monies from a 0.6% sales tax enacted by Proposition 301 (2000 General Election) and monies credited to the fund from the Permanent State School Fund that are used to pay the debt service on \$832,865,000 in Proposition 301 revenue bonds and \$20,000,000 in Qualified Zone Academy Bonds.

AHCCCS — Health Care Group Medical Premiums - Consists of premiums paid by employers and employees enrolled in Health Care Group, which is AHCCCS' health insurance plan for small businesses.

AHCCCS — Proposition 204 Protection Account - Consists of Tobacco Tax revenue, and is directed to pay for the Proposition 204 AHCCCS expansion.

ASRS — State Retirement System Administration - Non-Appropriated - Finances ASRS administrative expenses, including investment management fees and related consulting fees deemed necessary by the Investment Advisory Council. Also includes insurance premiums paid from retiree benefits.

Commerce — Job Training - Monies paid by employers from 0.1% tax on first \$7,000 of an employee's taxable wages. Monies are used to provide training and retraining for specific employment opportunities with new and expanding businesses or businesses undergoing economic conversion.

Industrial Commission — Special - Investment earnings, rent, reimbursement from employers and assessments. Monies are used to provide medical benefits, compensation benefits, vocational rehabilitation, and benefits on claims against uninsured employers and insolvent insurance carriers.

DEQ — Drinking Water Revolving - Consists of monies received from legislative appropriations, bond proceeds, loan repayments, and federal capitalization grants. The monies are used to make loans to drinking water facilities of political subdivisions and Indian tribes. The Water Infrastructure Finance Authority administers the fund.

ADE — Instructional Improvement - Receives 56% of total shared revenue from Proposition 202 from the 2002 General Election (Indian gaming).

ADOT — Local Agency Deposits - Monies received from local jurisdictions used to pay for locally sponsored secondary road construction projects.

DEQ — Underground Storage Tank (UST) - Consists of excise tax revenue (\$0.01/gallon tax on gasoline) and provides partial coverage of corrective actions to underground storage tanks.

Housing — Housing Trust - Receives 55% of proceeds from the sale of unclaimed property. Monies are used for the provision of affordable housing opportunities to low and moderate income families.

ADOA — Certificate of Participation - Consists of charges to state agencies for occupancy of space within building financed with lease-purchase agreements that are used to pay for the debt service of those agreements.

DOC — Arizona Correctional Industries Revolving - Consists of monies received from the sale of Arizona Correctional Industries (ACI) goods and services, and are used to pay for ACI related operational costs.

ADOA — State Non-Health Benefits - Employer and employee contributions used to pay claims for state employee benefit plans other than health insurance.

DHS — Tobacco Tax – Health Education Account - Consists of a portion of the tax monies collected on tobacco products.

Power Authority — Hoover Upgrading - Consists of monies from the sale of hydro-power from the Hoover Dam that are used to purchase energy (hydro-power) for Arizona Power Authority customers.

AHCCCS — Proposition 202 - Trauma and Emergency Services - Consists of gaming monies used for unrecovered trauma center readiness and emergency services costs.

SFB — State Land Trust Bond Debt Service - Consists of monies credited to the fund from the Permanent State School Fund that are used to pay the debt service on \$246,600,000 in State Land Trust revenue bonds.

ADOA — Emergency Telecommunication Services Revolving - Receipts from the telecommunications services excise tax (up to 1.5% of gross sales) levied against monthly telephone bills. The monies are used to implement and operate emergency telecommunication services (911) through political subdivisions.

Lottery — Local Transportation Assistance - Consists of monies from the sale of 3 types of lottery tickets (The Pick, Fantasy 5 and Instant Scratchers) that are used for statewide transportation purposes.